

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

Fortis Inc. and ITC Midwest, LLC	:	
	:	
Application pursuant to Section 7-204	:	
of the Public Utilities Act for authority	:	
to engage in a Reorganization, and for	:	16-0315
such other approvals as may be	:	
required under the Public Utilities Act	:	
to effectuate the Reorganization.	:	

**DIRECT TESTIMONY OF MICHAEL W. HASTINGS**

1   **Q.    Please state your name and business address.**

2    A.    My name is Michael W. Hastings and my business address is 793 U. S. Route 20  
3       West, Elizabeth Illinois 61028-0390.

4   **Q.    By whom are you employed and in what capacity?**

5    A.    I am employed by Jo-Carroll Energy, Inc. (NFP) (“Jo-Carroll”) as its President  
6       and Chief Executive Officer.

7   **Q.    What is your academic background?**

8    A.    I have a Bachelor of Arts degree in Accounting from Kansas Wesleyan University  
9       (cum laude, 1982), a Juris Doctor degree from Washburn University School of  
10       Law (with honors, 1987) and a Master of Business Administration degree from  
11       the University of Illinois at Springfield (with honors, 2005).

12   **Q.    What is your employment experience?**

13   A.    Since graduating from law school in 1987, I have been employed in four different  
14       concerns. I was initially engaged in the private practice of law in Topeka, Kansas  
15       before joining the Kansas Department of Revenue as a tax attorney in January  
16       1988. I entered the electric cooperative industry in January of 1990 when I  
17       became the Regulatory Compliance Specialist for the Kansas Electric  
18       Cooperatives, Inc., the statewide trade association for the electric cooperatives of  
19       Kansas. In that position, I worked with 32 distribution and generation and  
20       transmission electric cooperatives in Kansas on regulatory issues, including  
21       environmental regulation compliance, OSHA safety training compliance, and  
22       drug and alcohol testing programs. In May 1991, I was promoted to the position  
23       of Staff Counsel, and began working on general corporate legal and tax issues.

In December 1995, I joined the Association of Illinois Electric Cooperatives (“AIEC”) in the position of General Counsel, a position I held for almost ten years. Located in Springfield, the AIEC is the statewide trade association for 24 electric distribution cooperatives and two generation and transmission cooperatives in Illinois. As General Counsel, I assisted the electric cooperatives with a number of utility-related legal issues, including easements, Illinois corporate law, the Electric Supplier Act, the Public Utilities Act (“Act”), and the Electric Service Customer Choice and Rate Relief Law of 1997. In addition to my duties as General Counsel to the AIEC, I served as Executive Vice President and General Counsel to two insurance-related entities, the Illinois Cooperative Workers Compensation Group and Rochdale Services, Inc. These firms provided workers compensation-related insurance services to the electric and telephone cooperatives of Illinois. In May 2005, I joined Jo-Carroll as its President and CEO, a position I have held since that time.

**Q. On whose behalf are you testifying?**

A. I am testifying on behalf of Jo-Carroll.

**Q. What is the purpose of your testimony in this proceeding?**

A. I will provide a description of Jo-Carroll and respond to the filings by Fortis, Inc. (“Fortis”) and ITC Midwest, LLC (“ITC Midwest”) that initiated this docket. In addition, I will describe the stipulation entered into by Fortis, ITC Midwest, and Jo-Carroll.

**Q. Why is Jo-Carroll interested in this proceeding?**

46 A. I understand that Fortis intends to acquire ITC Holdings Corp., the parent  
47 company of ITC Midwest. As will be explained further below, Jo-Carroll depends  
48 upon ITC Midwest for electric transmission service for a significant portion of Jo-  
49 Carroll's retail electric load. It is in Jo-Carroll's interests to ensure that ITC  
50 Midwest remains a reliable, efficient, financially secure, and least-cost provider of  
51 transmission service to Jo-Carroll.

52 **Q. Please describe Jo-Carroll's business and operations.**

53 Jo-Carroll is a member-owned not-for-profit cooperative, formed in 1939 by  
54 farmers in Jo-Daviess and Carroll Counties in Northwest Illinois. It has retail  
55 electric and natural gas supply and distribution operations to its retail member-  
56 customers. Jo-Carroll also has a broadband internet retail service business,  
57 called Sand Prairie Wireless. Jo-Carroll has over 21,350 electric accounts,  
58 approximately 5,600 natural gas accounts, and 2,000 internet service accounts. It  
59 has over 2,430 miles of electric distributions lines and 153 miles of natural gas  
60 mains. Approximately 12,500 electric customers and all of its natural gas  
61 customers, along with electric and gas distribution facilities, were acquired by Jo-  
62 Carroll from Interstate Power and Light Company ("IPL") in early 2007, following  
63 this Commission's approval of the sale in Docket 05-0835 (ICC Docket 05-0835,  
64 Order, January 3, 2007). In early 2013, Jo-Carroll merged with Farmers Mutual  
65 Electric Company, the state's oldest electric cooperative, and its more than 1,350  
66 electric customers, mainly in Henry County. In 2015, Jo-Carroll completed and  
67 placed into operation the South View Solar Farm, a subscriber-based 126.5kW  
68 capacity solar power facility located at our headquarters in Elizabeth, IL. Jo-

69 Carroll has 80 employees and an 11-member Board of Directors, elected  
70 annually by our members. Among other things, the Board sets utility rates for Jo-  
71 Carroll's member customers.

72 **Q. Please provide Jo-Carroll's electric load and describe how Jo-Carroll**  
73 **arranges for its electric power supply and transmission to get power and**  
74 **energy delivered to its distribution system.**

75 A. Jo-Carroll's total electric peak load is about 80 mW, and in 2015 it delivered  
76 550,196,000 kWh of electricity to its customers. Power supply and transmission  
77 service for approximately 7,500 electric customers (those existing prior to the  
78 2007 IPL transaction) is provided by Dairyland Power Cooperative ("Dairyland").  
79 Dairyland is a generation and transmission cooperative based in LaCrosse,  
80 Wisconsin. For the electric load acquired in 2007, IPL provides the power supply  
81 under an agreement terminating March 31, 2018, and ITC Midwest provides  
82 transmission service. Prairie Power, Inc., an Illinois generation and transmission  
83 cooperative, supplies the power and energy for the load acquired from Farmers  
84 Mutual. It is important to note that the Jo-Carroll electric distribution system is  
85 directly interconnected with electric transmission facilities owned by ITC Midwest.  
86 In 2015, Jo-Carroll paid ITC Midwest more \$7.3 million for transmission service,  
87 which represents more than 80% of Jo-Carroll's transmission expenses.

88 **Q. What are your responsibilities in your current position?**

89 A. I am responsible for the day-to-day operations at Jo-Carroll. These duties  
90 include overall responsibility for all aspects of Jo-Carroll's operations, power

supply, gas supply, long-term and strategic planning, financing, billing, rates, key accounts, member services, and human resources.

**Q. Have you testified before that Illinois Commerce Commission before?**

A. Yes. In 2000, I submitted testimony on behalf of the electric cooperatives of Illinois in a case involving the attempted acquisition of the transmission assets of Illinois Power Company, ICC Docket No. 00-0007. That case was dismissed when the transmission assets were not acquired. I also testified on behalf of Jo-Carroll in its territorial dispute case with Interstate Power and Light Company ("IPL") under the Illinois Electric Suppliers Act over electric service to the Irish Cottage Inn in Galena, Illinois, ICC Docket No. 98-0256. I testified on behalf of Jo-Carroll in ICC Docket No. 05-0835, in which Interstate Power and Light Company and ITC Midwest, LLC jointly sought commission approval for the sale of IPL's Illinois-based generating assets to ITC Midwest. Most recently I submitted prepared testimony in Docket No. 07-0246; my testimony, however, was withdrawn due to a settlement reached between Jo-Carroll and the petitioners in that proceeding.

**Q. What information have you reviewed and considered in preparing your testimony?**

A. I have reviewed the Joint Application filed by Fortis and ITC Midwest as well as the simultaneously filed prepared written direct testimony of Barry Perry, the President and Chief Executive Officer of Fortis, Karl Smith, the Executive Vice President and Chief Financial Officer of Fortis, and Linda Blair, the Executive Vice President and Chief Business Unit Officer of ITC Holdings Corp. In addition,

I have considered responses to various data requests submitted by Jo-Carroll and discussions focused on addressing Jo-Carroll's interests and concerns in this docket.

**Q. In light of the information you reviewed and considered, do you have any concerns with the transaction set forth in the Joint Application filed by Fortis and ITC Midwest?**

A. Jo-Carroll had a number of concerns, but through discussions with Fortis and ITC Midwest, most of those concerns have been resolved. The resolution of those concerns are reflected in a stipulation entered into among Fortis, ITC Midwest, and Jo-Carroll.

**Q. Please describe Jo-Carroll's concerns and how the stipulation addresses those concerns.**

A. Among Jo-Carroll's concerns is that ITC Midwest maintain a sufficient presence and workforce in the vicinity of Jo-Carroll's service territory. The first and third conditions in the stipulation document address this concern by providing assurance that there will be no ITC Midwest workforce reduction for three years and that ITC Midwest will maintain its present service center, warehouse, and laydown yard in Dubuque, Iowa for three years. The Dubuque facilities, and personnel there, are in Jo-Carroll's view critical to the servicing of the transmission lines and related facilities providing service to Jo-Carroll. ITC Midwest also agrees to maintain its headquarters in Cedar Rapids, Iowa for ten years.

**Q. Did Jo-Carroll have any other concerns?**

137 A. Yes. Although the ITC Midwest Charitable Giving Program has not provided any  
138 assistance to entities within Jo-Carroll's service territory in the past few years, Jo-  
139 Carroll would like ensure that the opportunity exists. Under the second condition  
140 in the stipulation document, for one year ITC Midwest will provide charitable  
141 contributions through the ITC Midwest Charitable Giving Program (and any other  
142 ITC Midwest community support program) within the communities in which it  
143 operates in an aggregate amount no less than the levels currently provided by  
144 ITC Midwest. For three years, Fortis commits that it will not restrict, limit, or  
145 control such programs.

146 **Q. Did Jo-Carroll have any concerns about the recovery of transition or**  
147 **transaction costs?**

148 A. Yes, but the stipulation resolves those concerns. Under the fourth condition in  
149 the stipulation document, Fortis and ITC Midwest have committed that neither  
150 they nor any affiliate will seek to recover any costs associated with the  
151 transaction through the Federal Energy Regulatory Commission ("FERC") or any  
152 other federal or state regulatory body.

153 **Q. Did Jo-Carroll have any concerns about the treatment of savings stemming**  
154 **from the transaction?**

155 A. Yes. Under the eighth condition in the stipulation document, Fortis and ITC  
156 Midwest commit to following federal law and FERC regulations and standard  
157 procedure affecting the treatment of operating expense savings to ITC Midwest  
158 stemming from the transaction. In light of this commitment, Jo-Carroll does not  
159 wish to pursue the issue further.

**Q. What other concerns did Jo-Carroll have?**

A. Jo-Carroll had been concerned about potential harm to ITC Midwest's credit rating as well as ITC Midwest becoming responsible for Fortis or another affiliate's debt. Under the fifth condition in the stipulation document, Fortis commits that for three years ITC Midwest will maintain both standalone credit facilities and senior long-term debt instruments and will not be made responsible for any debt or other obligations of its parent or affiliate companies. Jo-Carroll is willing to agree to seek enforcement of this obligation if necessary only at FERC, for example through a Section 206 complaint under the Federal Power Act.

**Q. How does Jo-Carroll intend to ensure that Fortis and ITC Midwest will abide by the conditions reflected in the stipulation document?**

A. As an initial matter, under the sixth condition, Fortis and ITC Midwest have agreed that neither they nor any affiliate will attempt to circumvent in any forum any condition contained in the stipulation document or other commitment made in this proceeding. The seventh condition in the stipulation document provides further that ITC Midwest will make an annual compliance filing in this docket for three years reporting on its compliance with the conditions imposed by a Commission order approving the transaction.

**Q. Do you think the conditions in the stipulation document will help address Jo-Carroll's interests in this proceeding?**

A. Yes, I do.

**Q. In light of the conditions contained in the stipulation document and your other testimony, what is Jo-Carroll's position in this matter?**

183 A. As long as the Commission adopts the conditions contained in the stipulation  
184 document, Jo-Carroll does not object to, and is supportive of, the relief requested  
185 in the Joint Application.

186 **Q. Does this conclude your direct testimony?**

187 A. Yes.